

MODULE 9

Guidance to completing the Maturity Analysis module of BSL/2

MATURITY ANALYSIS

Overview

The Regulator recognises that banks may not measure their liquidity using the particular maturity ladder technique described below. Nevertheless all banks are required to complete this section.

The Regulator operates separate liquidity regimes for branches and subsidiaries as per its “*Guidance on Liquidity Risk Management*” paper.

Branches – the Standard Liquidity Approach:

The Regulator would not normally expect a negative cumulative mismatch at one month of more than 20%. That threshold provides a caution signal for the Regulator (i.e. a greater negative figure than minus 20%). However, due account is taken of the liquidity and realisability of longer dated assets (e.g. FRNs, CDs) by treating marketable assets as near cash items after the resultant effect of giving an appropriate “haircut” by discounting e.g. at 90% or 95%. Nevertheless all items should be reported at their true contractual residual maturities (i.e. the period remaining between the reporting date and the contractual maturity date) on the “Maturity Analysis” form.

The General Guidance and Detailed Guidance sections below explain how to complete the “Maturity Analysis” form. Branches should ignore the red text – this relates to subsidiaries only.

Subsidiaries – the Enhanced Liquidity Approach

The Commission sets maximum mismatch limits for the cumulative mismatch reported under the ELA stream for the time periods “0-8 days ” and “sight to less than 1 month” of 0% and -5% respectively. These limits are after taking account of any behavioural adjustments.

Subsidiaries will be required to report on both a contractual and a behaviourally adjusted basis therefore and two forms are provided for this purpose entitled “Maturity Analysis” and “Maturity Adjusted” for contractual and behavioural reporting respectively.

The General Guidance and Detailed Guidance sections below explain how to complete the respective forms. The guidance applies to both forms except where there is a behavioural adjustment available which will be used in relation to the “Maturity Adjusted” form. The adjustments available, and how to represent them on the “Maturity Adjusted” form, are shown in red in the Detailed Guidance section. Where there is no text in red, no behavioural adjustment is available for that particular class of asset or liability and it should be reported at contractual maturity therefore.

General Guidance

Banks should report un-drawn commitments to make additional loans, advances and credit facilities and any guarantees provided as liabilities /outflows in rows A.1 to A.7. The maturity period at which these commitments and guarantees should be reported is the point at which a commitment may be drawn (e.g. next day).

Deposits with the reporting bank are to be entered according to their earliest repayment dates. In this context, where applicable, the earliest repayment date means the first roll-over date or the shortest period of notice required to call or exercise a break clause.

Loans by the reporting bank should be entered according to their final maturities. Where a bank has loans outstanding on a revolving credit facility and has been notified that the loan will be routinely reviewed on maturity, the end date of the credit facility should be entered.

Where the borrower has notified the reporting bank that funds will be repaid on a date in advance of the final maturity, this date should be taken as the final maturity. Where a loan is repayable in instalments, the amounts should be reported in accordance with the maturity pattern of outstanding instalments.

Amounts (either due to or from the reporting bank) which are callable at specific notice, but which have not been called, should be entered under the band covering the specific notice period. However, if notice has been given the maturity should be regarded as the number of days outstanding before payment is to be made.

The total column should equal the sum of the columns from “Overdue” to “5 years and over including undated” for each line. If, on any reporting date, an asset, or part of it, has passed the due date for repayment by 14 days or more, the amount which is in arrears should be entered in the “Overdue column”. Only that part of a loan or asset actually overdue, and not any unmatured instalments, should be reported in this column, unless the whole of the loan or asset has been declared in default within the terms of the contract.

Report overdrafts as amounts overdue only if repayment was formally requested for a date at least fourteen days before the reporting date.

Include amounts overdue on secured loans unless the collateral has been realised when only the residual balance is included. Even if a specific provision for loan loss has been made when entering amounts overdue the gross figure should be shown. Amounts written off, however, should not be included.

Equity capital and current year’s profit/loss of subsidiaries and own funds of branches should be reported in the “5 years and over incl. undated” column. All totals will be calculated by the software automatically.

Assets pledged as collateral are excluded from the maturity ladder, as they are no longer available to the bank to meet obligations.

Detailed Guidance

Item	Description	Guidance
A.1	Banks/building societies	<p>The term “bank” refers to those institutions that are regarded as banks in the countries in which they are incorporated, and supervised by the appropriate banking supervisory or monetary authority as banks. In general, banks will engage in the business of banking and have the power to accept deposits in the regular course of business. The term “building society” as used in this return refers to those institutions which are mutuals and whose principal purpose is to take in savings, principally from the retail market, and finance house purchases through the granting of mortgages.</p> <p>The figure in the “Total” column should equal the sum of the other columns of line A.1.</p> <p>In the committed standby facilities column report in the box committed irrevocable standby credit facilities granted by the bank to other banks and financial institutions. Such facilities will be formally documented and typically will command a fee even when not drawn. They would be treated as a potential outflow.</p>
A.2	Financial corporations	<p>Report deposits from financial corporations which include (but are not limited to) those institutions in the financial sector which are principally engaged in financial intermediation, and whose business involves investments, contracts of insurance or the provision of loans or the administration or management of them or any of them. For example, this item includes collective investment funds (e.g. open or closed-ended unit trusts, investment companies or limited partnerships); investment trusts; partnerships or sole traders involved in the provision of financial services, credit unions, factoring companies, pension funds, leasing companies, insurance corporations, securities dealers, stock exchange money brokers, gilt-edged market makers, insurance brokers, loan brokers, financial planning consultants, salvage administrators, loss adjusters, stock exchanges, financial supervisory agencies, the Corporation of Lloyd’s, bank holding companies, other financial holding companies, finance houses, consumer credit companies and mortgage finance vehicles.</p> <p>The figure in the “Total” column is the sum of the other columns of line A.2.</p>

Item	Description	Guidance
A.3	Non-financial corporations	<p>Report deposits from non-financial corporations which include limited and unlimited, chartered, statutory and other corporate bodies incorporated and resident in the jurisdiction which are not classified as financial corporations or public sector.</p> <p>The figure in the “Total” column is the sum of the other columns of line A.3.</p> <p>Subsidiaries – behavioural adjustment for the “Maturity Adjusted” form</p> <p><i>A3 – Non-financial Companies:</i> This includes custody deposits from institutional clients. Assume 75% of deposit liabilities behave as per their contractual maturity for the “Next Day”, “2 days to <8 days” and “8 days to < 1 month” time buckets. Hence the remaining 25% of deposit liabilities in each of these three time buckets can be amalgamated and the total placed in the “balancing item > one month” column.</p> <p>Behavioural adjustments are only available for the time buckets up to 1 month. Liabilities in time buckets in the “1 month to <3 months” bucket and beyond should continue to be reported on this form at their contractual maturity.</p>
A.4	Public sector	<p>Report deposits from the public sector which includes government departments, bodies not administered as part of government departments but subject to ministerial or departmental control; accounts controlled by government departments and agencies located overseas; local government bodies (such as borough councils, county and district councils, parish, town and new unitary authorities, district, island or regional councils, attached statutory departments) and public corporations owned by government or through majority shareholdings.</p> <p>The figure in the “Total” column is the sum of the other columns of line A.4.</p>

Item	Description	Guidance
A.5	Households and individual trusts	<p>The figure in the “Total” column is the sum of the other columns of line A.5. Report deposits from “households and individual trusts” which include:</p> <p>persons, households, individual trusts created for named beneficiaries, unincorporated businesses other than unlimited liability partnerships (eg. sole traders) and non-profit institutions serving householders.</p> <p>Subsidiaries – behavioural adjustment for the “Maturity Adjusted” form</p> <p><i>A5 – Households and individual trusts:</i> This is an amalgam of different liability classes – e.g. retail and trusts. Assume 50% of deposit liabilities behave as per their contractual maturity for the “Next Day”, “2 days to <8 days” and “8 days to < 1 month” time buckets. Hence the remaining 50% of deposit liabilities in each of these three time buckets can be amalgamated and the total placed in the “balancing item > one month” column.</p> <p>Behavioural adjustments are only available for the time buckets up to 1 month. Liabilities in time buckets in the “1 month to <3 months” bucket and beyond should continue to be reported on this form at their contractual maturity.</p>

Item	Description	Guidance
A.6	Undrawn commitments to make loans and advances	<p>The figure in the “Total” column should equal the sum of the other columns of line A.6. The commitments should be recorded on the basis of availability for draw down. For example, if the bank has commitments that cannot be drawn until a date five years in the future then it is reported in the ‘5 years and over including undated’ column. This could for example include stage payments on a property development loan. If the bank has commitments that may be drawn down the next day for a term of up to five years, then this should be reported in the ‘Next Day’ column. Once loans are drawn down, they should be reported according to final maturity date. The Commission is seeking to capture the effect of commitments to make loans on the liquidity of the bank in this line.</p> <p>Subsidiaries – behavioural adjustment for the “Maturity Adjusted” form</p> <p><i>A6 – Undrawn commitments:</i> Assume 35% of undrawn commitments behave as per their contractual maturity for the “Next Day”, “2 days to <8 days” and “8 days to < 1 month” time buckets. Hence the remaining 65% of undrawn commitments in each of these three time buckets can be amalgamated and the total placed in the “balancing item > one month” column.</p> <p>Behavioural adjustments are only available for the time buckets up to 1 month. Liabilities in time buckets in the “1 month to <3 months” bucket and beyond should continue to be reported on this form at their contractual maturity.</p>
A.7	Other liabilities	<p>The figure in the “Total” column is the sum of the other columns of line A.7.</p> <p>Subsidiaries – behavioural adjustment for the “Maturity Adjusted” form:</p> <p><i>A7 - Other liabilities:</i> Assume 50% of other liabilities behave as per their contractual maturity for the “Next Day”, “2 days to <8 days” and “8 days to < 1 month” time buckets. Hence the remaining 50% of other liabilities in each of these three time buckets can be amalgamated and the total placed in the “balancing item > one month” column.</p> <p>Behavioural adjustments are only available for the time buckets up to 1 month. Liabilities in time buckets in the “1 month to <3 months” bucket and beyond should continue to be reported on this form at their contractual maturity.</p>

Item	Description	Guidance
A.8	Total liabilities/outflows	This equals the sum of lines A.1 to A.7 for each column and will be calculated automatically and entered by the software once those lines have been completed.
A.9	Market loans	In the committed standby facilities column report in the box committed irrevocable standby credit facilities granted to the bank by other banks etc. Such facilities will be formally documented and typically will command a fee. They could be treated as a potential inflow.
A.10	Treasury/local authority bills/CDs	<p>The figure in the “Total” column is the sum of the other columns of line A.10.</p> <p>Subsidiaries – behavioural adjustment for the “Maturity Adjusted” form:</p> <p>There is a 10% haircut for all investment-grade paper and ECCB eligible bills. All holdings, regardless of the maturity, should be amalgamated and a 10% haircut taken. The amalgamated amount, less the haircut, should be shown in the “2 days to <8 days” time bucket, and the 10% haircut should be shown in the “balancing item” column.</p> <p>ECCB eligible bills are defined for the purpose of this section as securities issued or guaranteed by any of the governments participating in the Eastern Caribbean Central Bank Agreement which are eligible as security on the granting of advances by the ECCB.</p> <p>All other paper (i.e. non-investment grade or ECCB ineligible) should be reported in the appropriate time bucket reflecting contractual maturity.</p>
A.11	Commercial paper and FRNs of less than 1 year’s maturity	<p>The figure in the “Total” column is the sum of the other columns of line A.11.</p> <p>Subsidiaries – behavioural adjustment for the “Maturity Adjusted” form:</p> <p>There is a 10% haircut for all investment-grade paper. All holdings, regardless of the maturity, should be amalgamated and a 10% haircut taken. The amalgamated amount, less the haircut, should be shown in the “2 days to <8 days” time bucket, and the 10% haircut should be shown in the “balancing item” column.</p> <p>Non-investment grade paper should be reported in the appropriate time bucket reflecting contractual maturity.</p>

Item	Description	Guidance
A.12	ECCB and OECD government securities	<p>As at February 2015 the 34 member countries of the OECD are:</p> <p>Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.</p> <p>The figure in the “Total” column is the sum of the other columns of line A.12.</p> <p>Subsidiaries – behavioural adjustment for the “Maturity Adjusted” form:</p> <p>There is a 10% haircut for all investment-grade ECCB and OECD government paper and all ECCB eligible securities. All holdings, regardless of the maturity, should be amalgamated and a 10% haircut taken. The amalgamated amount, less the haircut, should be shown in the “2 days to <8 days” time bucket, and the 10% haircut should be shown in the “balancing item” column.</p> <p>ECCB eligible securities are defined for the purpose of this section as securities issued or guaranteed by any of the governments participating in the Eastern Caribbean Central Bank Agreement which are eligible as security on the granting of advances by the ECCB.</p> <p>All other paper (i.e. non-investment grade or ECCB ineligible) should be reported in the appropriate time bucket reflecting contractual maturity.</p>
A.13	Other investments	The figure in the “Total” column is the sum of the other columns of line A.13.
A.14	Loans and advances	The figure in the “Total” column is the sum of the other columns of line A.14.
A.15	All other assets	The figure in the “Total” column is the sum of the other columns of line A.15.
A.16	Total assets/inflows	The “Total” column is the sum of the other columns of line A.16.
A.17	Mis-match	This is the result of subtracting the figures in line A.8 from those in line A.16 and is calculated automatically.

Item	Description	Guidance
A.18	Running mis-match	This is the result of taking the figures from line A.17 and adding each subsequent column's figure to give the total mis-match at any one maturity position. This is calculated automatically.
A.19	Running mis-match at one month as a percentage of total assets	This is calculated automatically.
A.20	Overdue as a percentage of total assets	This is calculated automatically.
A20	Limits	Line A20 on the "Maturity Adjusted" form is entitled "Limits" and will show whether the bank, having used the behavioural adjustments on offer under the Enhanced Liquidity Approach, is within the 0% and -5% limits.